

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name CITY OF ROOSEVELT PARK	County MUSKEGON
Audit Date 11/30/05	Opinion Date 2/16/06	Date Accountant Report Submitted to State: 3/21/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

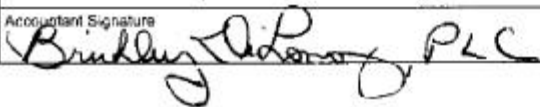
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☒ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Brickley DeLong, PLC			
Street Address 500 Terrace Plaza, P.O. Box 999	City Muskegon	State MI	ZIP 49443-0999
Accountant Signature 		Date 3/21/06	

City of Roosevelt Park
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended November 30, 2005

City of Roosevelt Park

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As management of the City of Roosevelt Park, we present to the readers of the City's financial statements this overview and analysis of the financial activities of the City of Roosevelt Park for the fiscal year ended November 30, 2005. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

FINANCIAL HIGHLIGHTS

- At the close of the fiscal year the City of Roosevelt Park had total assets of \$6,371,359 and total liabilities of \$560,251 leaving net assets of \$5,811,108, an increase of 5.7% in the City's overall net assets.
- Of the total \$5,811,108 in net assets, the City may use \$1,637,190 (unrestricted net assets) to meet the ongoing obligations to citizens and creditors.
- Total revenues, including all program and general revenues, were \$4,158,519, made up of governmental revenues of \$2,519,075 and business-type revenues of \$1,639,444. Revenues for the City's DDA were \$281,334.
- Total expenses for all of the City's programs were \$3,846,105. Of that total, the governmental expenses were \$2,480,263 and the business-type expenses were \$1,365,842. Expenses for the City's DDA were \$144,930.
- The General Fund's fund balance increased by \$16,168. This was primarily due to an increase in revenues over what was initially budgeted, for such items as building permit fees related to construction on the former J.C. Penny's site, and an increase in administrative revenue provided by other funds to assist in support of General Fund activities. Also this fiscal year saw full implementation of a property tax administration fee.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business type activities). The governmental activities of the City include general government, public safety, public works and cultural and recreational activities. The business-type activities of the City include water distribution and sewer services.

The government-wide financial statements include not only the City (the primary government) but also the legally separate discretely presented component unit. The board of this organization is appointed by the City and given the interrelation of the two; there is some potential liability for the City due to the City's pledge of its full faith and credit for debt obligations. The financial information of this component unit is reported in a separate column from the financial information of the primary government itself.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories-governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered a major fund. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds. The City has two enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water distribution and sewer operations.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds financial statements provided separate information for Water and Sewer funds both of which are major funds.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the City's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budgetary information as it relates to the actual expenditures for the General Fund.

Government-wide Financial Analysis

The first table presented on the next page is a summary of the government-wide statement of net assets for the City. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of November 30, 2005, the City's net assets from governmental activities totaled \$2,343,634 (40%) and \$3,467,474 (60%) from business-type activities, creating a total government-wide net assets total of \$5,811,108.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., streets, buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the City's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for government-type activities actually depict a balance of \$580,890. This represents the amount of discretionary cash or investments that can be used for general governmental operations.

The business-type activities show a total of \$3,467,474 in net assets and \$1,102,189 (32%) in unrestricted net assets. The Sewer Fund and Water Fund unrestricted net assets are \$512,992 and \$591,923, respectively.

Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current assets and other assets	\$ 1,015,410	\$ 1,073,361	\$ 1,385,227	\$ 1,005,630	\$ 2,400,637	\$ 2,078,991
Capital assets	1,498,906	1,522,835	2,471,816	2,496,636	3,970,722	4,019,471
Total assets	2,514,316	2,596,196	3,857,043	3,502,266	6,371,359	6,098,462
Current liabilities	146,589	244,585	199,220	154,293	345,809	398,878
Noncurrent liabilities	24,093	46,789	190,349	154,101	214,442	200,890
Total liabilities	170,682	291,374	389,569	308,394	560,251	599,768
Net assets						
Invested in capital assets, net of related debt	1,498,906	1,522,835	2,365,285	2,394,950	3,864,191	3,917,785
Restricted	263,838	246,301	-	-	263,838	246,301
Unrestricted	580,890	535,686	1,102,189	798,922	1,683,079	1,334,608
Total net assets	\$ 2,343,634	\$ 2,304,822	\$ 3,467,474	\$ 3,193,872	\$ 5,811,108	\$ 5,498,694

The result of fiscal year 2005 governmental activity was a slight increase of \$38,812 to \$2,343,634 in net assets. Of the total governmental activities area, \$1,498,906 is invested in capital assets less related debt and \$263,838 is reported as restricted for street purposes. The balance of \$580,890 is reported as unrestricted, having no legal commitment.

The \$379,597 increase in current assets within the business-type activities is a result of an improved cash position within the two enterprise funds due to rate increases enacted in 2004. Total unrestricted assets increased by \$303,267, mirroring this increase in current assets.

Governmental Activities

Governmental activities increased by \$38,812 (1.7%) during the 2005 fiscal year. The following table depicts this occurrence which will be discussed in more detail later in this analysis.

Total revenues increased by \$113,877 over the 2004 levels to \$2,519,075 due to a significant increase in building, plumbing and electrical permit fees related to redevelopment of the former J.C. Penny site. Also tax revenues increased from 2004 to 2005 by \$46,807. These revenue increases were offset by a decrease in capital grants and contributions of \$195,936 because of one-time street improvement grants received in 2004. Expenses for all general government activities grew by \$286,815 over 2004 with the two largest increases being in Public Works department (\$239,835) and Public Safety (\$76,109).

Business-type activities

At the end of the fiscal year, the net assets for business-type activities increased by \$273,602 or 8.6%. Two funds comprise the business-type activities. The Sewer Fund experienced an increase in net assets for the year totaling \$87,499. The Water Fund experienced an increase in net assets for the year totaling \$188,829.

The majority of the increase in net assets was tied to rate adjustments in both the sewer and water funds that were enacted in late 2004 and early 2005. Both rate increases were needed to cover wholesale rate increases enacted by Muskegon County for sewer service and the City of Muskegon as the wholesale provider of water to Roosevelt Park. This increase in the wholesale rate is the reason for the increase in Water Fund expenses.

Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues						
Charges for services	\$ 729,364	\$ 455,647	\$ 1,617,995	\$ 1,121,544	\$ 2,347,359	\$ 1,577,191
Operating grants	243,819	250,036	-	-	243,819	250,036
Capital grants and contributions	16,161	212,097	-	-	16,161	212,097
General revenues						
Property taxes	1,113,254	1,066,447	-	-	1,113,254	1,066,447
Franchise fees	36,332	36,304	-	-	36,332	36,304
Grants and contributions not restricted	344,903	342,175	-	-	344,903	342,175
Unrestricted investment earnings	23,980	20,821	21,449	13,942	45,429	34,763
Miscellaneous	10,576	14,835	-	-	10,576	14,835
Gain (loss) on sale of assets	686	6,836	-	-	686	6,836
Total revenues	2,519,075	2,405,198	1,639,444	1,135,486	4,158,519	3,540,684

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Expenses:						
General government	\$ 576,851	\$ 610,060	\$ -	\$ -	\$ 576,851	\$ 610,060
Public safety	997,061	920,952	-	-	997,061	920,952
Public works	840,224	600,389	-	-	840,224	600,389
Culture and recreation	66,127	62,047	-	-	66,127	62,047
Sewer Fund	-	-	619,693	531,971	619,693	531,971
Water Fund	-	-	746,149	526,520	746,149	526,520
Total expenses	<u>2,480,263</u>	<u>2,193,448</u>	<u>1,365,842</u>	<u>1,058,491</u>	<u>3,846,105</u>	<u>3,251,939</u>
Increase in net assets before transfers	38,812	211,750	273,602	76,995	312,414	288,745
Transfers	<u>-</u>	<u>42,745</u>	<u>-</u>	<u>(42,745)</u>	<u>-</u>	<u>-</u>
Increase in net assets	38,812	254,495	273,602	34,250	312,414	288,745
Net assets - Beginning	<u>2,304,822</u>	<u>2,050,327</u>	<u>3,193,872</u>	<u>3,159,622</u>	<u>5,498,694</u>	<u>5,209,949</u>
Net assets - Ending	<u>\$ 2,343,634</u>	<u>\$ 2,304,822</u>	<u>\$ 3,467,474</u>	<u>\$ 3,193,872</u>	<u>\$ 5,811,108</u>	<u>\$ 5,498,694</u>

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2005 fiscal year, the City governmental funds reported a combined unreserved fund balance of \$630,795. This number represents the unreserved fund balance \$352,420 in the General Fund and \$278,375 in other governmental funds. It is necessary to further distinguish between the unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the City's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders (\$11,624) and is reserved for capital projects (\$9,147). When the fund balance has been adjusted to account for these reserves, the result is a final fund balance of \$651,566, which consists of a fund balance of \$364,044 in the General Fund plus the fund balance of \$287,522 in other governmental funds.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the governmental financial statements, but in more detail. Net assets of the Sewer and Water funds increased by \$87,499 and \$188,829, respectively. The result was an overall net increase in the proprietary funds of \$276,328.

General Fund Budget

During the current fiscal year, the City made several amendments to its original budget. In total, General Fund expenditures came in under the Budget as amended. Some of the more notable adjustments to individual departments include:

- The original City Manager budget was increased by \$30,470 for a pay-out of accrued sick and vacation time, as well as additional costs incurred hiring a new City Manager.
- The original Treasurer budget was increased \$13,594 for a payout of accrued sick and vacation time.
- The original police department budget was increased \$62,606 for a payout of accrued sick and vacation and higher than anticipated overtime.
- The original inspections budget was increased \$31,297 as additional inspection services were needed for the Wal-Mart construction and re-development of the former J.C. Penny site.

The following comments summarize some of the major variations from the final budget to actual revenues and expenditures.

- Licenses and permits revenue is \$119,734 more than budgeted because of the revenue generated from the redevelopment of the former J. C. Penny site.
- State intergovernmental revenues came in over budget projections because the City received a grant from the State of Michigan for new voting machines.
- Charges for services revenue is \$113,321 more than originally budgeted because the City increased interfund administrative charges.
- Costs for legal prosecution of ordinances and related matters were up in 2005, requiring additional attorney assistance and expense.
- Sanitation costs ended up slightly more than what was originally budgeted, while the public works department realized a slight reduction in total expenses and finished the year under budget.
- Capital outlay was over budget because the City purchased a new copy machine and received new voting machines from a grant through the State of Michigan

Capital Assets

The City investment in capital assets for its governmental and business-type activities as of November 30, 2005 totaled \$3,970,722 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements, machinery, equipment, plants and vehicles.

Major capital asset events during the current fiscal year included the following:

- The City received two new optical scan voting machines from the State of Michigan, valued at \$5,528 each.
- The City purchased a new copy machine for \$7,454 for City Hall.
- Summit Avenue reconstruction was completed for a total cost of \$297,800 and the sidewalks along Summit Avenue were completed for a cost of \$47,685.
- Two 2005 Chevrolet Silverado's were purchased for \$10,885 each.
- A sewer line under the Community Center Park was replaced for \$14,295.
- The watermain under Summit Avenue was replaced while the road was being reconstructed and cost \$112,688.

CAPITAL ASSETS (Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 295,147	\$ 295,147	\$ 600	\$ 600	\$ 295,747	\$ 295,747
Construction in progress	49,566	356,368	-	104,656	49,566	461,024
Land improvements	1,004	2,007	-	-	1,004	2,007
Buildings and improvements	530,203	550,341	-	-	530,203	550,341
Vehicles and equipment	294,775	318,972	-	-	294,775	318,972
Infrastructure	328,211	-	-	-	328,211	-
Sewer system	-	-	1,863,127	1,883,088	1,863,127	1,883,088
Water system	-	-	608,089	508,292	608,089	508,292
Total	<u>\$ 1,498,906</u>	<u>\$ 1,522,835</u>	<u>\$ 2,471,816</u>	<u>\$ 2,496,636</u>	<u>\$ 3,970,722</u>	<u>\$ 4,019,471</u>

Additional information on the City's capital assets can be found in Note D of the "Notes to the Financial Statements" of this report.

Long-term Debt

At the end of the 2005 fiscal year, the City had total outstanding debt of \$290,442 consisting of bonds and accumulated compensated absences. The \$253,349 in the business-type activities is backed by the full-faith and credit of the City. The payment of the bonds is through the revenues generated from the Water and Sewer funds.

OUTSTANDING DEBT

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Accumulated compensated absences	\$ 37,093	\$ 61,636	\$ -	\$ -	\$ 37,093	\$ 61,636
General obligation bonds	-	-	253,349	199,101	253,349	199,101
Total	<u>\$ 37,093</u>	<u>\$ 61,636</u>	<u>\$ 253,349</u>	<u>\$ 199,101</u>	<u>\$ 290,442</u>	<u>\$ 260,737</u>

The City's total debt increased by \$29,705 during the fiscal year. This increase was due to additional borrowings related to the County wastewater disposal system offset by normal debt payoffs as provided for in the fiscal year 2005 budget.

In addition to the City's debt, the City's DDA component unit had outstanding debt of \$1,680,000. This debt is secured by the limited full faith and credit of the City and so is an important consideration in assessing the City's overall fiscal health.

Additional information on the City's long-term debt can be found in Note G of the "Notes to the Financial Statements" of this report.

General Economic Overview

The City has set fiscal accountability and financial stability as its number one priority. This is also its greatest challenge.

The City's General Fund is comprised of two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprised over 65% of the General Fund revenue sources. In fiscal 2006, state revenue sharing is expected to be about the same as the prior year and property tax revenues are expected to remain fairly steady.

The State of Michigan continues to experience difficulties in balancing their budget and state revenue sharing continues to be in a state of flux. Any additional shortfall in revenue sharing and any future cuts in revenues will affect the services that are provided to the residents of Roosevelt Park.

The City has undertaken a number of measures to balance the budget; among them are the elimination of one DPW position and cutting the crafts program from three to two days a week. The City has attempted to budget for police overtime as well as health insurance premiums for both active employees and retirees, which are expected to increase about 15%.

The City Council and staff remain optimistic that the City's quality of life will be further enhanced by several projects in various stages of development among them are improvements needed at the Community Center, reconstruction of Glenside Boulevard from the railroad tracks to Greenwich Road, water main improvements along Glenside Boulevard that will coincide with the road reconstruction and water main improvements along Henry Street.

Requests for Information

This financial report is designed to provide a general overview of the City of Roosevelt Park's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Roosevelt Park, 900 Oak Ridge Road, Roosevelt Park, MI, 49441, (231) 755-3721.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

February 16, 2006

Honorable Mayor and Members
of the City Council
City of Roosevelt Park
City of Roosevelt Park, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Roosevelt Park as of and for the year ended November 30, 2005, which collectively comprise the City's financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Roosevelt Park's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Roosevelt Park, as of November 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - x and 29 are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

BRICKLEY DELONG

City Council
February 16, 2006
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Roosevelt Park's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brickley DeLong, PLC

City of Roosevelt Park
STATEMENT OF NET ASSETS
November 30, 2005

ASSETS

	Governmental activities	Business-type activities	Total	Component unit
CURRENT ASSETS				
Cash and investments	\$ 904,942	\$ 929,244	\$ 1,834,186	\$ 363,605
Receivables	3,748	307,190	310,938	-
Due from other governmental units	91,969	-	91,969	-
Internal balances	2,727	(2,727)	-	-
Inventories	400	3,000	3,400	-
Prepaid items	11,624	1,702	13,326	-
Total current assets	1,015,410	1,238,409	2,253,819	363,605
NONCURRENT ASSETS				
Capital assets, net				
Nondepreciable	344,713	600	345,313	-
Depreciable	1,154,193	2,471,216	3,625,409	-
Access rights, net	-	146,818	146,818	-
Total noncurrent assets	1,498,906	2,618,634	4,117,540	-
Total assets	2,514,316	3,857,043	6,371,359	363,605

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES				
Accounts payable and accrued liabilities	86,589	26,895	113,484	11,943
Due to other governmental units	-	109,325	109,325	-
Deferred revenue	47,000	-	47,000	-
Bonds and other obligations, due within one year	13,000	63,000	76,000	65,000
Total current liabilities	146,589	199,220	345,809	76,943
NONCURRENT LIABILITIES				
Bonds and other obligations, less amounts due within one year	24,093	190,349	214,442	1,615,000
Total liabilities	170,682	389,569	560,251	1,691,943
NET ASSETS				
Invested in capital assets, net of related debt	1,498,906	2,365,285	3,864,191	-
Restricted for streets and highways	263,838	-	263,838	-
Unrestricted	580,890	1,102,189	1,683,079	(1,328,338)
Total net assets	\$ 2,343,634	\$ 3,467,474	\$ 5,811,108	\$ (1,328,338)

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
STATEMENT OF ACTIVITIES
For the year ended November 30, 2005

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government			Component unit
					Governmental activities	Business-type activities	Total	
Primary government								
Governmental activities								
General government	\$ 576,851	\$ 4,825	\$ -	\$ 11,056	\$ (560,970)	\$ -	\$ (560,970)	\$ -
Public safety	997,061	160,846	1,314	-	(834,901)	-	(834,901)	-
Public works	840,224	553,964	234,495	5,105	(46,660)	-	(46,660)	-
Culture and recreation	66,127	9,729	8,010	-	(48,388)	-	(48,388)	-
Total governmental activities	2,480,263	729,364	243,819	16,161	(1,490,919)	-	(1,490,919)	-
Business-type activities								
Sewer	619,693	698,021	-	-	-	78,328	78,328	-
Water	746,149	919,974	-	-	-	173,825	173,825	-
Total business-type activities	1,365,842	1,617,995	-	-	-	252,153	252,153	-
Total primary government	\$ 3,846,105	\$ 2,347,359	\$ 243,819	\$ 16,161	(1,490,919)	252,153	(1,238,766)	-
Component unit								
Downtown Development Authority	\$ 144,930	\$ -	\$ -	\$ -	-	-	-	(144,930)
General revenues								
Property taxes					1,113,254	-	1,113,254	274,032
Franchise fees					36,332	-	36,332	-
Grants and contributions not restricted to specific programs					344,903	-	344,903	-
Unrestricted investment earnings					23,980	21,449	45,429	4,314
Miscellaneous					10,576	-	10,576	2,988
Gain on sale of capital assets					686	-	686	-
Total general revenues					1,529,731	21,449	1,551,180	281,334
Change in net assets					38,812	273,602	312,414	136,404
Net assets at December 1, 2004					2,304,822	3,193,872	5,498,694	(1,464,742)
Net assets at November 30, 2005					\$ 2,343,634	\$ 3,467,474	\$ 5,811,108	\$ (1,328,338)

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
BALANCE SHEET
 Governmental Funds
 November 30, 2005

	General Fund	Other governmental funds	Total governmental funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 414,288	\$ 263,094	\$ 677,382
Receivables			
Accounts	1,371	-	1,371
Special assessments	-	1,020	1,020
Due from other governmental units	60,178	31,791	91,969
Prepaid items	<u>11,624</u>	<u>-</u>	<u>11,624</u>
Total assets	<u>\$ 487,461</u>	<u>\$ 295,905</u>	<u>\$ 783,366</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 54,930	\$ 7,576	\$ 62,506
Accrued liabilities	21,487	-	21,487
Deferred revenue	<u>47,000</u>	<u>807</u>	<u>47,807</u>
Total liabilities	123,417	8,383	131,800
Fund balances			
Reserved for:			
Prepaid items	11,624	-	11,624
Capital projects	-	9,147	9,147
Unreserved, undesignated			
General Fund	352,420	-	352,420
Special revenue funds	<u>-</u>	<u>278,375</u>	<u>278,375</u>
Total fund balances	<u>364,044</u>	<u>287,522</u>	<u>651,566</u>
Total liabilities and fund balances	<u>\$ 487,461</u>	<u>\$ 295,905</u>	<u>\$ 783,366</u>

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

November 30, 2005

Total fund balance—governmental funds	\$	651,566
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Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources and
are not reported in the governmental funds.

Cost of capital assets	\$ 1,808,330	
Accumulated depreciation	<u>(419,393)</u>	1,388,937

Special assessment revenue is not recognized until it is receivable in the current
period and therefore is shown as deferred revenue in the governmental funds.

806

Long-term liabilities in governmental activities are not due and payable in the
current period and are not reported in the governmental funds.

Compensated absences	(37,093)
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Internal service funds are used by management to charge the costs of certain activities
to individual funds. The assets and liabilities of the internal service funds are reported
with governmental activities in the Statement of Net Assets.

339,418

Net assets of governmental activities in the Statement of Net Assets	\$	<u><u>2,343,634</u></u>
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The accompanying notes are an integral part of this statement.

City of Roosevelt Park
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Governmental Funds
 For the year ended November 30, 2005

	General Fund	Other governmental funds	Total governmental funds
REVENUES			
Property taxes	\$ 1,113,254	\$ -	\$ 1,113,254
Licenses and permits	188,834	-	188,834
Intergovernmental revenues - state	360,601	221,560	582,161
Charges for services	545,975	-	545,975
Fines and forfeitures	9,841	-	9,841
Investment earnings	22,311	2,188	24,499
Other	19,149	31,718	50,867
Total revenues	2,259,965	255,466	2,515,431
EXPENDITURES			
Current			
General government	552,450	-	552,450
Public safety	995,206	-	995,206
Public works	625,118	216,958	842,076
Culture and recreation	36,313	14,819	51,132
Other governmental functions	16,200	-	16,200
Capital outlay	18,510	-	18,510
Total expenditures	2,243,797	231,777	2,475,574
Net change in fund balances	16,168	23,689	39,857
Fund balances at December 1, 2004	347,876	263,833	611,709
Fund balances at November 30, 2005	\$ 364,044	\$ 287,522	\$ 651,566

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
 For the year ended November 30, 2005

Net change in fund balances—total governmental funds: \$ 39,857

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (54,438)	
Capital outlay	<u>57,194</u>	2,756

Compensated absences are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds.

24,543

Governmental funds recognize special assessments as revenue as they become current, however they are recognized in full when levied in the Statement of Net Assets.

(3,612)

The internal service funds are used by management to charge the costs of certain activities to individual funds. The net change of the internal service funds is reported with governmental activities.

(24,732)

Change in net assets of governmental activities

\$ 38,812

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
STATEMENT OF NET ASSETS
 Proprietary Funds
 November 30, 2005

ASSETS

	Business-type activities - Enterprise funds			Governmental Activities - Internal service funds
	Sewer	Water	Total	
CURRENT ASSETS				
Cash and investments	\$ 434,281	\$ 494,963	\$ 929,244	\$ 227,560
Accounts receivable	131,508	175,682	307,190	1,357
Inventories	-	3,000	3,000	400
Prepaid items	842	860	1,702	-
Total current assets	566,631	674,505	1,241,136	229,317
NONCURRENT ASSETS				
Capital assets				
Land	-	600	600	-
Utility systems	2,671,356	987,631	3,658,987	-
Buildings and improvements	-	17,536	17,536	-
Vehicles and equipment	-	-	-	567,703
Less accumulated depreciation	(808,229)	(397,078)	(1,205,307)	(457,732)
Net capital assets	1,863,127	608,689	2,471,816	109,971
Access rights, net	146,818	-	146,818	-
Total noncurrent assets	2,009,945	608,689	2,618,634	109,971
Total assets	2,576,576	1,283,194	3,859,770	339,288
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	2,450	20,746	23,196	2,597
Accrued liabilities	3,700	-	3,700	-
Due to other governmental units	47,489	61,836	109,325	-
Bonds and other obligations, due within one year	63,000	-	63,000	-
Total current liabilities	116,639	82,582	199,221	2,597
NONCURRENT LIABILITIES				
Bonds and other obligations, less amounts due within one year	190,349	-	190,349	-
Total liabilities	306,988	82,582	389,570	2,597
NET ASSETS				
Invested in capital assets, net of related debt	1,756,596	608,689	2,365,285	109,971
Unrestricted	512,992	591,923	1,104,915	226,720
Total net assets	\$ 2,269,588	\$ 1,200,612	3,470,200	\$ 336,691
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(2,727)	
Net assets of business-type activities			\$ 3,467,473	

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Proprietary Funds
For the year ended November 30, 2005

	Business-type Activities - Enterprise funds			Governmental Activities - Internal service funds
	Sewer	Water	Total	
REVENUES				
Charges for services	\$ 574,460	\$ 837,963	\$ 1,412,423	\$ 118,454
OPERATING EXPENSES				
Administration	106,767	139,912	246,679	17,988
Operations	414,834	591,112	1,005,946	81,622
Depreciation and amortization	85,151	12,891	98,042	48,453
Total operating expenses	606,752	743,915	1,350,667	148,063
Operating income (loss)	(32,292)	94,048	61,756	(29,609)
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	8,679	12,770	21,449	1,464
Connection fees	123,561	82,011	205,572	-
Interest expense	(12,449)	-	(12,449)	-
Total nonoperating revenues	119,791	94,781	214,572	1,464
Income (loss) before sale of capital assets	87,499	188,829	276,328	(28,145)
Gain on sale of capital assets	-	-	-	686
Change in net assets	87,499	188,829	276,328	(27,459)
Total net assets at December 1, 2004	2,182,089	1,011,783		364,150
Total net assets at November 30, 2005	\$ 2,269,588	\$ 1,200,612		\$ 336,691
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds			(2,727)	
Change in net assets of business-type activities			\$ 273,601	

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
STATEMENT OF CASH FLOWS
Proprietary Funds
For the year ended November 30, 2005

	Business-type Activities - Enterprise funds			Governmental Activities - Internal service funds
	Sewer	Water	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 545,787	\$ 822,546	\$ 1,368,333	\$ -
Receipts from interfund services provided	-	-	-	117,097
Payments to suppliers	(483,422)	(669,097)	(1,152,519)	(74,603)
Payments to employees	(33,332)	(27,550)	(60,882)	(23,288)
Payment for interfund services used	(1,963)	(8,910)	(10,873)	-
Net cash provided by operating activities	27,070	116,989	144,059	19,206
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Interfund borrowing	-	(129,545)	(129,545)	129,545
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Connection fees	123,561	82,011	205,572	-
Purchases of capital assets	(14,296)	(8,032)	(22,328)	(21,770)
Principal paid on capital debt	(46,050)	-	(46,050)	-
Interest paid on capital debt	(13,872)	-	(13,872)	-
Proceeds from sale of capital assets	-	-	-	686
Net cash provided by (used for) capital and related financing activities	49,343	73,979	123,322	(21,084)
CASH FLOW FROM INVESTING ACTIVITIES				
Investment earnings	8,679	12,770	21,449	1,464
Net increase in cash and investments	85,092	74,193	159,285	129,131
Cash and investments at December 1, 2004	349,189	420,770	769,959	98,429
Cash and investments at November 30, 2005	\$ 434,281	\$ 494,963	\$ 929,244	\$ 227,560
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (32,292)	\$ 94,048	\$ 61,756	\$ (29,609)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation and amortization expense	85,151	12,891	98,042	48,453
Change in assets and liabilities				
Receivables, net	(28,673)	(15,417)	(44,090)	(1,357)
Accounts and other payables	2,884	25,467	28,351	1,719
Net cash provided by (used for) operating activities	\$ 27,070	\$ 116,989	\$ 144,059	\$ 19,206
Noncash financing activities				
Assumption of additional County debt	\$ 100,298	\$ -	\$ 100,298	\$ -

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Fiduciary Funds
November 30, 2005

	<u>Agency fund</u>
ASSETS	
Cash and investments	\$ <u>35,806</u>
LIABILITIES	
Due to other governmental units	\$ <u>35,806</u>

The accompanying notes are an integral part of this statement.

City of Roosevelt Park
NOTES TO FINANCIAL STATEMENTS
November 30, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Roosevelt Park (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Reporting Entity

The City is a municipal corporation governed by an elected mayor and six-member City Council and is administered by a city manager appointed by the City Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government. The discretely presented component unit has a November 30 fiscal year end.

Discretely presented component unit

City of Roosevelt Park Downtown Development Authority. The Authority's purpose is the collection of tax increment revenues, the issuance and repayment of debt and the construction of public facilities to promote and facilitate economic growth in the City's downtown district. Board members of the DDA are appointed by the City and the Authority is fiscally dependent on the City since the council approves the DDA budget and must approve any debt issuance. The DDA is presented as a governmental fund type.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The City does not allocate indirect costs.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

City of Roosevelt Park
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
November 30, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within 60 days of the end of the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following two major proprietary funds:

The Sewer Fund operates the City's sewage pumping station, collection systems and pays for access to the county's sewage treatment plant.

The Water Fund operates the City's water distribution system.

Additionally, the City reports the following fund types:

Internal Service Funds account for equipment management services provided to other funds of the government on a cost reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

City of Roosevelt Park
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
November 30, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The City reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the City intends to hold the investment until maturity.

The City has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the City to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

The component units' cash and investments are maintained within the City's investment pool.

City of Roosevelt Park
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
November 30, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The City bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the City to the County for collection. The County advances the City all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the City. The City recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2004 state taxable value for real/personal property of the City totaled approximately \$104,730,000 of which approximately \$12,000,000 was captured by the component unit. The ad valorem taxes levied consisted of 11.6 mills for the City's operating purposes. This amount is recognized in the General Fund with captured amounts shown in the DDA component unit.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

City of Roosevelt Park
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
November 30, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Capital Assets—Continued

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include only items acquired since December 1, 2003 as allowed by generally accepted accounting principles.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	10-20
Buildings and improvements	10-40
Office furniture and equipment	5-30
Vehicles and equipment	5-10
Infrastructure	10-50

Compensated Absences

City employees are granted vacation and sick leave in varying amounts based on length of service and employee group. Unused vacation and sick leave days are paid to employees upon termination under limits that vary by employee group.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

City of Roosevelt Park
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
November 30, 2005

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year end.

The City follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to October 31, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following December 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the City Hall to obtain taxpayer comments.
- c. Not later than October 31, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the City Council. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. The City Council made several supplemental budgetary appropriations throughout the year.

Excess of Expenditures Over Appropriations

During the year ended November 30, 2005, actual expenditures exceeded appropriations for attorney fees by \$4,931 and capital outlay by \$18,510 in the General Fund. These overexpenditures were funded with available fund balance.

City of Roosevelt Park
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
November 30, 2005

NOTE C—DEPOSITS AND INVESTMENTS

As of November 30, 2005, the City had the following investments:

Investment Type	Fair value	Weighted average maturity (Months)	Moody's	Percent
Money market mutual fund	\$ 185,479	1	AAA	9.9 %
U.S. Agency obligations	1,147,902	28	AAA	61.4
Negotiable certificates of deposit	480,331	9	not rated	25.7
Mortgage backed securities	55,408	21	AAA	3.0
Total fair value	<u>\$ 1,869,120</u>			<u>100.0 %</u>
Portfolio weighted average maturity		<u>20</u>		

Interest rate risk. The City's investment policy limits investment maturities to 60 months or less as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations (NRSROs). The City has no investment policy that would further limit its investment choices.

Concentration of credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the City investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The City's investment policy limits various types of investments to certain percentages of the City's total investment portfolio as a means of managing its risk. More than 5 percent of the City's investments are in negotiable certificates of deposit issued by the Bank of Holland, Republic Bank, Mercantile Bank and Sturgis Federal Savings and U.S. Government Obligations issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and Federal Home Loan Bank. These investments are 6.68 percent, 5.35 percent, 5.17 percent, 5.28 percent, 15.52 percent, 7.87 percent and 39.32 percent, respectively, of the City's investments.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of November 30, 2005, \$2,053,255 of the City's bank balance of \$2,256,662 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. The City does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk. The City is not authorized to invest in investments which have this type of risk.

City of Roosevelt Park
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
November 30, 2005

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended November 30, 2005 was as follows:

	Balance December 1, 2004	Additions	Deductions	Balance November 30, 2005
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 295,147	\$ -	\$ -	\$ 295,147
Construction in progress	356,368	38,683	345,485	49,566
Total capital assets, not being depreciated	651,515	38,683	345,485	344,713
Capital assets, being depreciated:				
Land improvements	57,023	-	-	57,023
Buildings and improvements	805,520	-	-	805,520
Vehicles and equipment	796,314	40,278	13,302	823,290
Infrastructure	-	345,485	-	345,485
Total capital assets, being depreciated	1,658,857	385,763	13,302	2,031,318
Less accumulated depreciation:				
Land improvements	55,016	1,003	-	56,019
Buildings and improvements	255,179	20,138	-	275,317
Vehicles and equipment	477,342	64,475	13,302	528,515
Infrastructure	-	17,274	-	17,274
Total accumulated depreciation	787,537	102,890	13,302	877,125
Total capital assets, being depreciated, net	871,320	282,873	-	1,154,193
Capital assets, net	\$ 1,522,835	\$ 321,556	\$ 345,485	\$ 1,498,906
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 600	\$ -	\$ -	\$ 600
Construction in progress	104,656	8,033	112,689	-
Total capital assets, not being depreciated	105,256	8,033	112,689	600

City of Roosevelt Park
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
November 30, 2005

NOTE D—CAPITAL ASSETS—Continued

	Balance December 1, 2004	Additions	Deductions	Balance November 30, 2005
Business-type activities:—Continued				
Capital assets, being depreciated:				
Sewer system	\$ 2,657,061	\$ 14,295	\$ -	\$ 2,671,356
Water system	892,479	112,688	-	1,005,167
Total capital assets, being depreciated	3,549,540	126,983	-	3,676,523
Less accumulated depreciation:				
Sewer system	773,973	34,256	-	808,229
Water system	384,187	12,891	-	397,078
Total accumulated depreciation	1,158,160	47,147	-	1,205,307
Total capital assets, being depreciated, net	2,391,380	79,836	-	2,471,216
Capital assets, net	\$ 2,496,636	\$ 87,869	\$ 112,689	\$ 2,471,816

Depreciation

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 13,846
Public safety	8,403
Public works	21,937
Culture and recreation	10,251
Internal Service Fund depreciation is charged to the various programs based on their usage of the assets	48,453
	<u>\$ 102,890</u>

Business-type activities:

Sewer	\$ 34,256
Water	12,891
	<u>\$ 47,147</u>

City of Roosevelt Park
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
November 30, 2005

NOTE E—ACCESS RIGHTS

Access rights activity for the year ended November 30, 2005 was as follows:

	Balance December 1, 2004	Additions	Deductions	Balance December 31, 2005
Business-type activities				
Access rights	\$ 504,812	\$ 100,298	\$ 334,675	\$ 270,435
Less accumulated amortization	<u>407,396</u>	<u>50,896</u>	<u>334,675</u>	<u>123,617</u>
Access rights, net	<u>\$ 97,416</u>	<u>\$ 49,402</u>	<u>\$ -</u>	<u>\$ 146,818</u>

Amortization

Amortization expense has been charged to sewer.

NOTE F—DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	City <u>Unavailable</u>	<u>Unearned</u>
Special assessments	\$ 807	\$ -
Fees	<u>-</u>	<u>47,000</u>
Total deferred revenue for governmental funds	<u>\$ 807</u>	<u>\$ 47,000</u>

City of Roosevelt Park
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
November 30, 2005

NOTE G—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the City for the year ended November 30, 2005.

	Balance December 1, 2004	Additions	Reductions	Balance November 30, 2005	Due within one year
Governmental activities:					
Compensated absences	\$ 61,636	\$ 74,457	\$ 99,000	\$ 37,093	\$ 13,000
Business-type activities:					
General obligation bonds	\$ 199,101	\$ 100,298	\$ 46,050	\$ 253,349	\$ 63,000
Component units:					
General obligation bonds	\$ 1,730,000	\$ -	\$ 50,000	\$ 1,680,000	\$ 65,000

Business-type activities:

General obligation bonds:

\$170,136 Muskegon County Wastewater
Management System; payable in
annual installments of \$61,533 to
\$62,731 through July 2008; interest
at 5%

\$ 186,406

\$1,167,250 Muskegon County Wastewater
Management contract payable beginning in 2008;
interest at 1.625%

66,943

\$ 253,349

Component units:

General obligation bonds:

\$1,825,000 General Obligation Limited Tax
Bonds of 2002; payable in annual
installments of \$65,000 to \$225,000
through October 2018; interest at
rates varying from 2.95% to 4.7%

\$ 1,680,000

City of Roosevelt Park
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
November 30, 2005

NOTE G—LONG-TERM DEBT—Continued

For governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund

The Limited Obligation Bonds are backed by the full faith and credit of the City.

The County of Muskegon wastewater contracts payable represent agreements with Muskegon County relating to the construction of sewage treatment facilities. To construct these facilities, the County issued bonds which local municipalities are obligated to repay. The City has recorded the liability for its portion of the County bonds which are to be repaid by the access rights fee. Access rights are also recorded and are amortized over 20 years. The contractual obligation is secured by the full faith and credit of the City. Current debt service requirements are funded by sewer revenues.

Effective January 1, 2005, the wastewater service agreement between the County of Muskegon and thirteen local units, including the City of Roosevelt Park, was amended to provide financial relief to the County's largest industrial user. Under terms of the amendment, the allocation of debt service charged to each local unit user will increase. The Sewer Fund's total debt obligation and annual payments on that obligation will increase by about 21 percent. The financial impact on the City in 2005 was \$2,663. This bond will be fully retired in 2008. Additional County wastewater debt is paid by local unit users through user charges based on metered sewage flows. Payments on these issues will increase for all local units, including the City, by about 43 percent. The financial impact on the City in 2005 was about \$14,000.

Annual debt service requirements to maturity for debt outstanding as of November 30, 2005 follows:

Year ending November 30,	Business-type activities		Component units	
	Principal	Interest	Principal	Interest
2006	\$ 62,731	\$ 9,322	\$ 65,000	\$ 70,500
2007	62,142	6,184	75,000	68,582
2008	128,476	3,079	75,000	66,183
2009	-	-	75,000	63,557
2010	-	-	95,000	60,783
2011-2015	-	-	685,000	235,935
2016-2018	-	-	610,000	58,450
	<u>\$ 253,349</u>	<u>\$ 18,585</u>	<u>\$ 1,680,000</u>	<u>\$ 623,990</u>

City of Roosevelt Park
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
November 30, 2005

NOTE H—OTHER INFORMATION

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City manages its liability and property risk by participating in Michigan Municipal Liability and Property Pool (MMLPP), a public entity risk pool providing property and liability coverage to its participating members. The City pays an annual premium to MMLPP for its insurance coverage. The MMLPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The City manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Fund (MMWCF), a public entity risk pool providing workers' compensation coverage to its participating members. The City pays an annual premium to MMWCF for its workers' compensation coverage. The MMWCF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The City carries commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City is currently in negotiation with the police union regarding wages and benefits retroactive to November 30, 2004. The City has accrued in the General Fund a reasonable estimate of costs.

Post-Retirement Health Care

The City has agreed to provide post-retirement health care to certain employees after they retire.

As of year end, there were six retired employees receiving benefits. The City finances the Plan on a pay-as-you-go basis. For the year ended November 30, 2005, the City's post-retirement health care cost under the Plan was approximately \$47,000.

City of Roosevelt Park
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
November 30, 2005

NOTE I—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Pension Plan

Plan Description. The City of Roosevelt Park is in an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System (MERS). The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. Act No. 427 of the Public Acts of 1984 of the State of Michigan assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities; that authority rests with the City of Roosevelt Park. A copy of the complete financial report and required supplemental information can be obtained by writing to:

City of Roosevelt Park
900 Oak Ridge Road
Roosevelt Park, MI 49441

Funding Policy. Plan members are not required to contribute to the plan. The City is required to contribute at an actuarially-determined rate of 0 to 17.85 percent of covered wages.

Annual Pension Cost. For the year ended City of Roosevelt Park, the City's annual pension cost was approximately \$101,000 which the City contributed. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8 percent investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 0 percent to 4.5 percent, and (c) 4.5 percent per year compounded annually attributable to inflation. The actuarial value of plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

Three-Year Trend Information

<u>Year ending</u>	<u>Approximate Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
11/30/03	\$ 94,000	100 %	\$ -
11/30/04	99,000	100	-
11/30/05	101,000	100	-

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

(Dollar amounts in thousands)

<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
12/31/02	\$ 2,269	\$ 2,647	\$ 378	86 %	\$ 689	55 %
12/31/03	2,432	2,749	317	88	686	46
12/31/04	2,583	3,096	513	83	714	72

City of Roosevelt Park
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
November 30, 2005

NOTE I—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time City employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

REQUIRED SUPPLEMENTARY INFORMATION

City of Roosevelt Park
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended November 30, 2005

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 1,125,740	\$ 1,125,740	\$ 1,113,254	\$ (12,486)
Licenses and permits	69,100	69,100	188,834	119,734
Intergovernmental revenues - state	344,551	344,551	360,601	16,050
Charges for services	432,654	432,654	545,975	113,321
Fines and forfeitures	8,400	8,400	9,841	1,441
Investment earnings	23,000	23,000	22,311	(689)
Other	17,500	17,500	19,149	1,649
Total revenues	2,020,945	2,020,945	2,259,965	239,020
EXPENDITURES				
Current				
General government				
City Council	22,969	23,339	13,042	10,297
City manager	99,351	129,821	106,539	23,282
Clerk	74,817	77,526	76,465	1,061
Treasurer	69,645	83,239	77,211	6,028
Assessor	28,341	28,341	27,019	1,322
Attorney	21,000	30,400	35,331	(4,931)
Office operations	98,014	109,532	93,659	15,873
Personnel	56,879	57,512	48,539	8,973
City hall, garage and grounds	82,806	87,832	74,645	13,187
Public safety				
Police department	625,828	688,434	670,510	17,924
Fire department	267,676	267,676	265,857	1,819
Inspections	25,811	57,108	58,839	(1,731)
Public works				
Public service	480,444	481,408	450,933	30,475
Sidewalks	4,000	4,000	413	3,587
Sanitation	171,685	171,685	173,772	(2,087)
Community and economic development				
Planning	200	200	-	200
Culture and recreation				
Parks	38,839	39,886	36,313	3,573
Other governmental functions	16,865	18,425	16,200	2,225
Capital outlay	-	-	18,510	(18,510)
Total expenditures	2,185,170	2,356,364	2,243,797	112,567
Net change in fund balance	\$ (164,225)	\$ (335,419)	16,168	\$ 351,587
Fund balance at December 1, 2004			347,876	
Fund balance at November 30, 2005			\$ 364,044	

OTHER SUPPLEMENTAL INFORMATION

City of Roosevelt Park
COMBINING BALANCE SHEET
Other Governmental Funds
November 30, 2005

	Total other governmental funds	Special Revenue			Capital Projects
		Major Streets	Local Streets	Roosevelt Park Day	Special Assessment
ASSETS					
Cash and investments	\$ 263,094	\$ 196,299	\$ 43,289	\$ 14,572	\$ 8,934
Special assessments receivable	1,020	-	-	-	1,020
Due from other governmental units	31,791	23,004	8,787	-	-
Total assets	<u>\$ 295,905</u>	<u>\$ 219,303</u>	<u>\$ 52,076</u>	<u>\$ 14,572</u>	<u>\$ 9,954</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 7,576	\$ 4,741	\$ 2,800	\$ 35	\$ -
Deferred revenue	807	-	-	-	807
Total liabilities	8,383	4,741	2,800	35	807
Fund balances					
Reserved for capital projects	9,147	-	-	-	9,147
Unreserved					
Special revenue	278,375	214,562	49,276	14,537	-
Total fund balances	287,522	214,562	49,276	14,537	9,147
Total liabilities and fund balances	<u>\$ 295,905</u>	<u>\$ 219,303</u>	<u>\$ 52,076</u>	<u>\$ 14,572</u>	<u>\$ 9,954</u>

City of Roosevelt Park
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Other Governmental Funds
 For the year ended November 30, 2005

		Special Revenue			Capital Projects
	Total other governmental funds	Major Streets	Local Streets	Roosevelt Park Day	Special Assessment
REVENUES					
Intergovernmental revenues - state	\$ 221,560	\$ 160,319	\$ 61,241	\$ -	\$ -
Investment earnings	2,188	1,054	930	-	204
Other	31,718	10,951	-	17,739	3,028
Total revenues	255,466	172,324	62,171	17,739	3,232
EXPENDITURES					
Current					
Public works	216,958	146,378	70,580	-	-
Culture and recreation	14,819	-	-	14,819	-
Total expenditures	231,777	146,378	70,580	14,819	-
Net change in fund balances	23,689	25,946	(8,409)	2,920	3,232
Fund balances at December 1, 2004	263,833	188,616	57,685	11,617	5,915
Fund balances at November 30, 2005	\$ 287,522	\$ 214,562	\$ 49,276	\$ 14,537	\$ 9,147

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

February 16, 2006

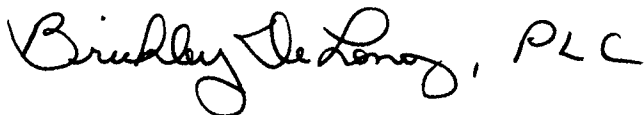
City Council
City of Roosevelt Park
Roosevelt Park, Michigan

In planning and performing our audit of the financial statements of the City of Roosevelt Park for the year ended November 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the City of Roosevelt Park's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. We have attached a summary of such reportable conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we do not believe the reportable conditions described above are material weaknesses.

This report is intended solely for the information of the City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Brickley DeLong, PLC". The signature is written in a cursive, flowing style.

REPORTABLE CONDITIONS

General

Recommendation 1: All journal entries should have documented approval by an appropriate City official.

During our testing, we noted that documented proper approval of journal entries did not exist for all journal entries.

The maintenance of files with documented approval of all journal entries would reduce the possibility of an inaccurate journal entry being made.

Recommendation 2: Bank statements should be received directly and reviewed by the City Manager prior to the bank reconciliation procedure being performed by the Treasurer.

During our testing, we noted that the bank statements are provided to the Treasurer without prior review by a responsible individual. In addition to reconciling the checking account, the Treasurer also prepares disbursement checks and maintains the accounting records for all cash receipts and disbursements.

The review of bank statements by the City Manager prior to the bank reconciliation procedure would increase management's ability to isolate any significant errors or irregularities within the cash function by investigating any unusual items contained in the bank statements.

Bank Deposits

Recommendation 3: The City should review and improve its internal controls surrounding the cash receipts and deposit functions.

During our testing, we noted that the same individual prepares, accepts and deposits payments with little management oversight. The maintenance of these responsibilities by one individual provides the opportunity for the misappropriation of funds or errors to go undetected.

The review and approval of work performed by the employee and the segregation of some duties such as cash receipts and bank deposits would enhance existing internal controls.

Investment Policy

Recommendation 4: The City should follow its investment policy or amend the policy.

During our audit, we noted that the City is out of compliance with its investment policy. The policy states that no more than twenty-five percent of the City's portfolio may be invested in United States government instruments maturing between twelve and sixty months from the date of purchase. Approximately forty-eight percent of the City's investments fall within this range.

Maintaining and following an investment policy is an important tool for managing the City's investment risks. We recommend that the City follow its existing investment policy or amend its existing policy.

REPORTABLE CONDITIONS—CONTINUED

Tax Collector Fund

Recommendation 5: The City should review and improve its internal controls surrounding the tax disbursement and reconciliation function.

During our testing, we noted that the same individual disburses taxes and performs the bank reconciliation for the tax account. The maintenance of these responsibilities by one individual provides the opportunity for the misappropriation of funds or errors to go undetected.

The review and approval of work performed by the employee and the segregation of some duties would improve existing internal controls.

Recommendation 6: The Tax Collector Fund should distribute all monies owed other governmental units on a timely basis.

During our audit, we noted that the Tax Collector Fund did not distribute all taxes collected on a timely basis. The General Property Tax Act of the State of Michigan requires that the City distribute property tax collections to other governmental units for which it collects within 10 business days of the first and fifteenth day of each month.

The timely distribution of funds collected by the Tax Collector Fund would ensure compliance with the General Property Tax Act of the State of Michigan.